

Message Text

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ACTION ARA-14

INFO OCT-01 EUR-12 NEA-10 ISO-00 SSO-00 INRE-00 NSCE-00

ICAE-00 DOEE-00 SOE-02 AID-05 CEA-01 CIAE-00

COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05

L-03 NSAE-00 OMB-01 PM-05 OES-09 SP-02 SS-15

STR-07 TRSE-00 ACDA-12 /138 W

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FM AMEMBASSY NASSAU

TO SECSTATE WASHDC IMMEDIATE 1534

INFO AMEMBASSY TRIPOLI IMMEDIATE

AMEMBASSY LONDON IMMEDIATE

C O N F I D E N T I A L NASSAU 1839

E.O. 11652: GDS

TAGS: ENRG, ECON, BF, US, LY

SUBJ: (LIBYAN) NATIONAL OIL COMPANY WINS ROUND IN DEBT DISPUTE
WITH GRAND BAHAMA PETROLEUM COMPANY

REFS: (A) NASSAU 0357 NOTAL (B) NASSAU 1125 NOTAL (C) NASSAU
1340 NOTAL (D) NASSAU 1832 NOTAL

1. (LIBYAN) NATIONAL OIL COMPANY (NOC) DEBT DISPUTE WITH GRAND BAHAMA PETROLEUM COMPANY (PETCO - WHICH IS THE NAME OF NEW ENGLAND PETROLEUM COMPANY'S 100 PERCENT OWNED FOREIGN SUBSIDIARY IN THE BAHAMAS) WAS CARRIED ONE STEP FURTHER WITH A SUPREME COURT OF THE BAHAMAS AUGUST 28 DECISION AWARDED TO NOC BY JUSTICE HARVEY DA COSTA OF DOLS 152 MILLION - DOLS 138 MILLION FOR THE BASIC DEBT CLAIM AND DOLS 15 MILLION IN INTEREST PAYMENTS. PRINCIPLE AMONG THE POINTS IN THE DISPUTE WAS WHETHER NOC LEGALLY CANCELLED 1973 CONTRACTS BETWEEN ITSELF AND PETCO ON THE PRICE AND DELIVERY OF PETROLEUM, AND PETCO'S REBUTTAL THAT THE 1973 CONTRACTS HAD NOT BEEN CANCELLED AND THAT THEY HAD NOT BEEN SUPERCEDED BY JANUARY 1974 CONTRACTS (REF B). ORAL ARGUMENTS ON THIS COMPLEX LEGAL SUIT, WHICH WAS FILED
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IN THE SUPREME COURT IN 1977, BEGAN ON MAY 16 AND CONCLUDED JUNE 23. THE ANNOUNCED DECISION WAS UNEXPECTED IN THAT PETCO OFFICIALS HAD HOPED THE SUPREME COURT WOULD DISMISS THE CASE FOR "LACK OF JURISDICTION."

2. BAHAMAS OIL REFINING COMPANY (BORCO) - 65 PERCENT OWNED BY CAREY ENERGY CORPORATION (THE PARENT COMPANY OF PETCO)

AND 35 PERCENT OWNED BY STANDARD OIL OF CALIFORNIA (SOCAL - WHOSE LOCAL NAME IS CHEVRON OIL (BAHAMAS) LTD.) IS LOOKED UPON AS THE ULTIMATE PRIZE AND OBJECTIVE IN NOC'S DEBT DISPUTE WITH PETCO. BORCO IS THE LARGEST U.S. INVESTMENT IN THE BAHAMAS - DOLS 335 MILLION BOOK VALUE; DOLS 700 MILLION REPLACEMENT VALUE (REF A). WE UNDERSTAND THAT NOC ANTICIPATES THAT EVENTUALLY PETCO WILL REFUSE OR PROVE INCAPABLE OF PAYMENT OF DOLS 152 MILLION AWARD THEREBY OPENING UP EVENTUALITY THAT NOC WILL OBTAIN PETCO'S EQUITY IN BORCO IN PROBABLE PETCO'S LIQUIDATION PROCEEDINGS. NOC THEN WOULD BECOME THE MAJORITY SHAREHOLDER AND CONTROLLER OF BORCO - A POSSIBILITY NOT LOOKED UPON ENTHUSIASTICALLY BY SOCAL IN LIGHT OF NOC'S CANCELLATION OF SOCAL'S PETROLEUM CONCESSIONS IN LIBYA, A CONTRIBUTING FACTOR TO THE PRESENT DEBT DISPUTE.

3. WE UNDERSTAND PETCO IS CONSULTING WITH ATTORNEYS DUPUCH AND TURNQUEST (REF B) ABOUT APPEALING THE AUGUST 28 DECISION TO CARIBBEAN COURT OF APPEAL AND ULTIMATELY TO THE PRIVY COUNCIL IN LONDON, ENGLAND.

4. ART GARDNER, PRESIDENT OF BORCO IN GRAND BAHAMA TOLD EMBOFF THAT BORCO OFFICIALS WERE "STUNNED" BY THE SUPREME COURT DECISION AND THAT PETCO PLANNED TO APPEAL TO THE PRIVY COUNCIL. GARDNER SAID THAT E.M. CAREY, PRINCIPAL STOCKHOLDER AND PRESIDENT OF CAREY ENERGY CORPORATION, WOULD PROBABLY ISSUE A STATEMENT CONCERNING AN APPEAL IN NEW YORK SHORTLY. GARDNER CONFIDENTIAL

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CONCLUDED THAT "UNTIL ALL LEGAL CHANNELS ARE EXHAUSTED, BORCO INTENDS TO CONTINUE BUSINESS AS USUAL."

5. JOHN DONNELLY, GENERAL COUNSEL FOR NEPCO, TOLD EMBOFF AUGUST 29 THAT NEPCO'S COMMENT ABOUT THE DECISION WOULD BE RELEASED TO THE PRESS SHORTLY AND THAT "THE DECISION WAS UNFAIR AND WOULD BE APPEALED."
SHANKLE

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NNN

Message Attributes

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Control Number: n/a
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Draft Date: 30 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
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Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
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Disposition History: n/a
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